Institute briefing on the UK Government's Guidance for Banking, Insurance and Financial Services in a no-deal Brexit scenario

Introduction

On 23rd August, the UK Government published Guidance for "Banking, Insurance and Financial Services if there's no Brexit deal"

It stated that the purpose of this notice "is to provide stakeholders (including personal and business customers of financial services firms and funds, and financial services firms, funds and financial market infrastructure) with information about the impact of the UK leaving the EU without a deal, and the government's approach to ensuring that we have a functioning financial services regulatory framework in any scenario."

The main headline is that Britons living in the European Union could lose access to their UK bank account services and businesses on the continent could be cut off from investment banks in London if there is a no-deal Brexit.

Summary of Key Points

- The UK Government concedes in the document, which details contingency planning if Britain leaves the EU in March with no transition deal, that unilateral action on several fronts could only minimise disruption up to a point.

- While Britons will still be able to use their bank cards to withdraw money in EU countries, over a million UK citizens living abroad may not be able to use their British accounts for borrowing and deposit services, or insurance contracts such as annuities that pay pensions, the document said.

- Banks offering these services may also be affected. "This could impact these firms' ability to continue to service their existing products," it added.

- All Britons will face higher costs to make card payments in the EU when travelling or shopping online. The EU agreed this year to cap the fees retailers pay to process debit and credit card transactions. Without a deal between London and Brussels, British customers will no longer be covered by a ban on cross-border surcharges, which prevents business from imposing excessive charges on consumers. The government had previously said those charges cost Britons about 166 million pounds ($212 million) in 2015.

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- Currently banks, insurers and fund managers in Britain have unfettered access to the EU, their biggest export market, worth 26 billion pounds last year, under the bloc's "passporting" rules.

- Without a deal, banks would have to establish operations in the EU or be legally barred from serving clients or sending out payments.

- The government said it was committed to giving regulators such as the Bank of England and the Financial Conduct Authority a "general transitional tool" to phase in changes easing the impact if no deal is agreed.

- However, the EU would also need to act to avoid disruption in cross-border financial services, it said.

- Brussels has said it is primarily up to banks themselves to prepare for Brexit, such as by opening new hubs in the bloc.

- The document said the EU needed to reciprocate British action to ensure continuity in cross-border insurance policies, derivatives contracts, and core market services for companies and people. Without EU action, it said, businesses across the bloc could no longer use investment banks in Britain.

- Brussels, for example, would need to give investors in the EU permission to continue using a share trading platform or clearing house in London, where most euro-denominated derivatives are currently cleared.

- HM Treasury and the Bank of England will give details next month on how customers in Britain can continue using a settlement house in the EU, a critical step whereby cash is exchanged for legal ownership of a stock or bond.

- Fund managers in the City of London operate many funds listed in the likes of Luxembourg and Dublin, and the plans said Britain was ready to agree cooperation arrangements with the EU as soon as possible to ensure this could continue.

- For more details and to read the Guidance please see here:

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